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CURRENT SUPPORT MEMORANDUM

COMMUNIST CHINA'S ECONOMIC POLICY TOWARD POLAND

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Communist China and Poland have signed additional contracts to expand planned 1958 trade to about \$122,000,000, nearly a 50 percent increase over the 1957 level of trade.* ^{1/} The unusual expansion appears to constitute Peiping's attempt to further the bloc-wide objective of tying Poland more firmly to the Socialist camp.

Although Sino-Polish trade has averaged a 10 percent increase annually over the past six years, in January 1958 China agreed to \$45,000,000, a level considerably below that of recent years, for total 1958 trade. ^{2/} This probably came as a result of Poland's past failures to make timely deliveries and shipments of goods according to specifications to China. However, Peiping reversed its position early in 1958 and during April concluded an agreement envisaging transactions worth \$87,500,000 for this year. ^{3/} The additional contracts, again increasing the 1958 goal, will further enable Poland to expand essential imports without depleting its foreign exchange reserves.

Sino-Polish Trade 4/
1950-1958

	1950	1951	1952	1953	1954	1955	1956	1957	1958 (Plan)
Total Trade (million US dollars)	8	49	55	57	66	66	<u>85a/</u>	82	122
Increase over Previous Year (percentage)	600	12	4	16	0	<u>29a/</u>	-4	49	
Percentage of Total Polish Foreign Trade	0.6	3.0	3.4	3.6	3.7	3.6	4.2	3.7	5.6

a/ Includes \$5 million of Polish exports scheduled for shipment in 1955, but not delivered until 1956. ^{5/}

Poland imports from China industrial raw materials, foodstuffs, and consumer goods and, this year has arranged to purchase substantial quantities of iron ore, chemicals and non-metallic minerals. In return, China will purchase Polish investment goods, including transportation equipment, such as ships, rolling stock and agricultural machinery, and industrial installations for its current economic development program. ^{6/}

In line with the Sino-Soviet bloc aim of achieving a cohesive international unit, Peiping, several times during the past two years, has helped alleviate Poland's chronic shortage of Western currencies despite China's own scarcity of foreign exchange. ^{7/} Peiping has re-exported Canadian wheat, Egyptian cotton, and Asian rubber to Poland for rubles. In addition, China has paid for some imports of Polish iron and steel with free world currencies.

* Figures given in rubles or zloties are converted at 4:1 dollar exchange rate.

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